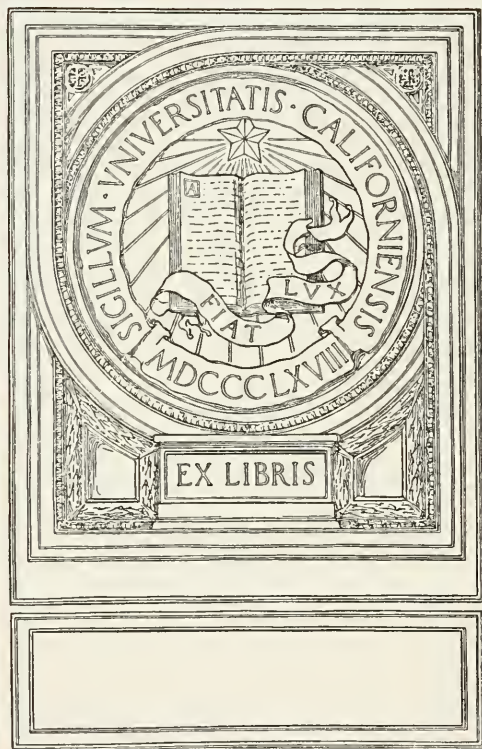


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# RECIPROCITY

THE TRADE TREATY OF 1854-66

BETWEEN

CANADA AND THE UNITED STATES;  
HOW IT CAME TO BE NEGOTIATED

AND

WHY IT WAS ANNULLED

ECONOMIC ASPECTS OF TRADE TREATIES  
IN PROTECTIONIST COUNTRIES

UNIV. OF  
CALIFORNIA

E. B. BIGGAR

BIGGAR - WILSON, Limited

PUBLISHERS

TORONTO, CANADA

10 CENTS PER COPY

## INTRODUCTORY NOTE.

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When the present negotiations for a reciprocal trade agreement between Canada and the United States were started it was stated that the agreement would be in the form of a treaty, and the writer began to investigate the history of the old reciprocity treaty of 1854-66 to learn how it began and why it was ended. The result of this enquiry is now presented in the hope that it will throw some light on the subject of Canadian trade relations with the United States, whether the present conference at Washington results in a trade treaty or any other form of agreement.

At the time these pages are being made ready for the press the result of the negotiations is unknown to the public, and, therefore, these facts and opinions are not presented as a criticism on the particular form of agreement which may be devised. The efforts of the negotiators, if any agreement is reached, are entitled to the sympathetic consideration of the people of both countries, for we know that the statesmen concerned in it are men whose strong desire is to serve their country faithfully, and at the same time to promote international harmony. If they do not succeed, owing to the variety of contending interests to be dealt with, it will not be for lack of conscientious effort. If an agreement is ratified and does not prove enduring, we must remember that the former reciprocity, although doomed to early dissolution, was negotiated by one of the ablest statesmen who ever represented the interests of British America since parliamentary institutions were established on this part of the continent.

As the example of Abraham and Lot shows, trade advantages may be lost with a light heart if by such loss other causes of friction may be put out of the way; and the main question in the present tariff negotiations is not "What present trade advantages do they give us?" but "Are they likely to prevent future misunderstandings?"

This review is chiefly limited to discussing the efficiency of trade treaties as a policy for a country which raises its chief revenues by a protective tariff.

E. B. BIGGAR.

Toronto, Jan. 24, 1911.



## RECIPROCITY.

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Let us first ask, What is Reciprocity? It is well to get a clear notion of the term, because it is evident from the statements of public men in both countries that ideas differ widely, and if these various theories were put into practice the results would not be reciprocity.

"Reciprocal," according to Webster, means "recurring in vicissitude; alternate; done by each to the other; interchanging or interchanged; given and received; due from each to each; mutual." The same authority gives "Reciprocity Treaty" as "a treaty concluded between two countries, conferring equal privileges as regards customs or charges on imports or in other respects." In a political sense the present common idea restricts the term to a treaty dealing with customs tariffs, and Chambers' Cyclopedia defines reciprocity as "a term for an arrangement between two countries having a protective tariff against other countries to admit into each other's territories certain specified taxable articles of commerce duty free, or at exceptionally light duties. The classes of articles are arranged to balance one another on one side and the other." The Cabinet Cyclopedia gives another definition as follows: "A term in economics commonly applied in international relationships to the arrangement whereby two nations mutually agree to import from each other certain goods, either duty free or with duties which are equivalent." If this definition is accepted, then the last clause is important as declaring what is equitable and reciprocal in any treaty contemplated between Canada and the United States.

### Reciprocity First Applied to Shipping.

A glance at European and American commercial history of the past 150 years will show that the term "reciprocity treaty" as at first used applied to shipping regulations rather than to customs tariffs. When ex-

perience showed that the restrictions of the navigation laws of the eighteenth century resulted in as much harm to the nations imposing them as to the nations against whom they were directed, they began to deal with each other more liberally, and the first breach into these restrictions took place between Great Britain and the United States. A British Order-in-Council was passed in 1783 putting United States' ships on the same level as British when trading direct between these two countries. These privileges were not extended to the West Indies, however, out of consideration to the British American provinces, which might be deprived of this trade. After the War of 1812 the treaty of peace concluded between Great Britain and the United States provided, besides the disarmament on the Great Lakes, that the ships of one nation should not be liable to greater charges in the ports of the other than were exacted by such nation in its own ports. This broad approach to free navigation was afterwards somewhat stultified by the coastal regulations adopted by the United States; but it was effective in leading the nations of Europe to look favorably on lower tariffs. It was followed by the complete adoption of free trade by Great Britain in 1846, and might, perhaps, have resulted in free trade between Britain and Europe and America but for the effect of the German Zollverein, followed by the Franco-Prussian war and the development of interstate commerce of the United States, followed by the Civil War and the collapse of the continental reciprocity plans, of which the treaty between Canada and the States was a part.

### **Britain's Economic New Birth.**

From before the time of Britain's adoption of free trade the subject of reciprocity was much discussed, both in the United States and in Canada. Two years before the adoption of free trade by Britain a treaty was actually negotiated between the United States and the German Zollverein (1844), but shared the same fate as a later treaty with Mexico by being killed in the Senate. The constitutional objection of the Senate was that the President, in negotiating the treaty, exceeded his authority in dealing with a question affecting the revenues;



but how far the Senate was influenced by those whose interests would be adversely affected by the treaty cannot be known.

The huge debt piled up by the two wars referred to and the consequent necessity of raising increased revenues was largely responsible for the high tariff movement in Germany and France—which by example as well as by force of circumstances affected the smaller European States—while in the United States the demand for a high tariff to pay off the Civil War debt had its effect on the abrogation of the reciprocity treaty with Canada. Thus war caused a reaction in the direction of high tariffs in Europe and America, which continued to the opening of the present century.

There were, however, local influences also at work both in Canada and the United States affecting the trade developments of the two countries. These will be dealt with in another section, and their explanation will serve to show some of the danger spots in any fresh readjustment of trade relations such as now contemplated.

### **Taught to Swim Alone.**

The adoption of free trade in Great Britain and the withdrawal of the preferences allowed in favor of British colonies was a rude shock to the tender and undeveloped industries of British America, and this was all the harder to bear when, in the violence of the contest for free trade, British statesmen of eminence declared the colonies to be a burden, and appeared indifferent to their political, as well as their economic connection with the Mother Country. While the loyalty of the great majority of the people of the provinces stood the test all through, the belief of the British people that free imports would be beneficial to the nation had its effect on the public mind in both Canada and the United States, and the most natural thing, when cut off from their advantages in the markets of the home land, was that the British American provinces should turn to their next-door neighbors and seek by mutual concessions to make up here what was lost in trade across the ocean. At that time the industries of the provinces were of a crude character, the people being engaged chiefly in fishing, lumbering, shipping and agriculture, with a little mining.

The United States had developed its manufactures on a considerable scale in some lines, but the general disposition of the people, influenced by the free trade discussions in England was towards a low tariff, especially as the new free trade policy of Great Britain was seen to lead to opening up fresh avenues of Anglo-American trade. There was a natural tendency to deal on a more liberal basis with the British colonies in North America, especially as men of foresight saw a prospect of large future trade in United States manufactures in exchange for the raw materials which Canada and the Maritime Provinces could supply and which the northern and eastern States needed in greater abundance. It would lessen the tariff friction between the States and the provinces, which had been a cause of trouble as far back as 1806; while the fisheries had been the cause of constantly recurring troubles since 1818.

### **The Economic Stepmother.**

The question of reciprocity, which began to be earnestly discussed in 1846, interested only the eastern, northern and western States as a practical question; but in the Canadian provinces it was the leading problem of governments from the moment free trade was adopted in Britain. Had the home government taken the forethought to stipulate for reciprocity on behalf of these colonies when conceding free imports from the United States a comprehensive treaty would doubtless have been framed at once. That this provision had been neglected was a most serious aggravation of the condition in which the colonists were left, and many of the public men gave frank utterance to these grievances, which contributed to such demonstrations as the annexation manifestos of 1849. It was from the votes of the Southern States, however, that Canada got reciprocity, and the adoption of the treaty came about through an influence remote from the question of international trade itself. For years before the Civil War the question of State sovereignty, with the question of slave ownership linked up with it, was being thought out and determined by the people of the South. Though reciprocity bills had been defeated in Congress in 1848 and 1849, it was seen by the

Southern representatives that the idea was not only favored by Great Britain and Canada, but was gaining ground in all the northern States, and, when the agitation for annexation began to develop, leaders of opinion in the South took quiet note of it, and foresaw that the alternative to a reciprocity treaty might be a complete union of the Canadian provinces with the States, in which case the separatist movement in the southern States would be swamped by a new union element in the North. Then the southern Senators yielded and withdrew their opposition to the treaty, and thus in the decree of Providence, the motive which determined the southern States to secede, and which brought on the terrible Civil War, gave to Canada her desires without the sacrifice of her British connection, and, the economic waste of the same war bringing up at its close new revenue problems, cut Canada off from her dependence on the trade of the States, and thus confirmed her against her wishes, in the path of a separate existence as a nation. Besides the need of fresh revenue to pay off the war debt, there were other motives at work in the rescision of the treaty in 1866. One of these was the resentment of the northern people towards Great Britain and Canada for their sympathy with the under dog in the conflict, but this is only another illustration of the alienating effects of war, and serves to show that the law of retaliation does not benefit those who invoke its power.

### **The Situation in 1846-53.**

The news of the repeal of the corn laws brought consternation to the merchants of Montreal, Quebec, Toronto, Halifax and St. John. Mr. Workman, president of the Montreal Board of Trade, described the situation in the phrase, "We are laboring under concussion of the brain." While Canadian cities were thus depressed, New York, Boston, Portland and Philadelphia were elated, and the prospects for expanding trade with Great Britain made the coast cities well disposed towards the Canadian provinces. There were selfish reasons for this friendly disposition. The Inter-colonial Railway not yet being in existence, there was no connection by rail between the Maritime Provinces

and the Canadian provinces; and when in 1853 the railways of Upper and Lower Canada were amalgamated under the name of the Grand Trunk, it was to carry traffic, not to the seaboard of Nova Scotia or New Brunswick, but to Portland, Maine. The St. Lawrence canals could only accommodate vessels of 600 or 700 tons; Lake St. Peter had only a depth of  $11\frac{1}{2}$  feet in summer, and it was not till 1860 that it was dredged to a depth of  $18\frac{1}{2}$  feet. The Gulf of St. Lawrence had not yet lived down the name it had got as a dangerous route for ocean steamships. The Welland Canal had not been enlarged, and could only take vessels of 400 tons, and the railway and canal traffic from the western States and Upper Canada drifted naturally to New York and Boston, aided thereto by the British subsidy given to the Cunard line of steamers. For these reasons the United States seaports were already doing an increasing and profitable transit trade with Canada, and freer interchange of traffic would naturally tend to settle the business of the future in these channels. The merchants of the inland cities, such as Rochester, Buffalo, Detroit, etc.—as well as the industrial centres of New England, New York and Pennsylvania—stood to gain by access to the markets of Canada, and the western States, now filling up with new settlers, badly needed better shipping facilities to the Atlantic seaboard, which access to the Canadian canal system would give them.

### **The Hard Times.**

On the Canadian side the case for reciprocity was still stronger. The first effect of the withdrawal of the British preference by the repeal of the corn laws was a commercial depression, which deepened to such an extent that the population of some towns dwindled to one-half, and more than half of the merchants and manufacturers went into bankruptcy. Even the government was reduced by shortage of cash to pay its officials by debentures, which could not be exchanged at par. A market to take the place of that lost in Great Britain had to be sought, and here in the United States was one near at hand; the canal system, constructed at such heavy cost to a young and struggling country, wanted traffic, which the home market could not yet supply, and

United States shipping could fill up the blank; the same problem applied to the railways.

### **The Treaty a Surprise.**

Where the self-interest of merchants and manufacturers, the needs of the people and the requirements of the revenue on both sides of the line could all be harmonized by a reciprocal trade agreement, one would have thought that such an agreement would be reached within a year or two. But it took eight years of discussion and negotiation before the treaty was ratified, and when it was at last signed at midnight on the 5th June, 1854, as the last act before dissolution of Congress, "a ten-minute speech or the opposition of a single member would have killed it." "It passed simply because the country (the United States) was not prepared, on that last day of Congress, for such a possibility." \*

### **The Unhonored Hero of the Treaty.**

On the Canadian side the treaty was due to the high statesmanship and keen knowledge of human nature possessed by Lord Elgin, as anyone will believe who reads the account of the negotiations contained in Laurence Oliphant's "Episodes in a Life of Adventure." On the United States side the real hero of the reciprocity treaty was a man whom history has almost completely ignored, and who, after years of indefatigable labor in the cause, was left to bear the disgrace of a Boston prison for debts contracted in preparing the facts and statistics which made the treaty so plainly a favorable one for the United States, especially for New England, in one of whose prisons he suffered his social martyrdom.

This man was Israel D. Andrews, a native of Eastport, Me., who, at the time the corn laws were repealed, was United States consul at St. John, N.B. As a lad of ten or twelve, Andrews took his first lessons in political economy in the employ of a merchant near the New Brunswick-Maine border, whose operations consisted chiefly in smuggling. He thought of the absurdity of neighboring farmers and merchants being forbidden

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\*T. C. Keefer, C.E., Ottawa.



to have dealings with each other because an imaginary line between farm and store marked them off as aliens against their natural inclinations. When Andrews learned of the reciprocity as a proposal to exchange farm products only, he opposed it as being too narrow, and urged that the fisheries be included in the exchange, so that the long-standing fishery disputes could be settled by the same agreement; also that the right of navigating the St. John River and the St. Lawrence River and canals be arranged for. He went to Washington to advocate these views, and was handed over to Webster, Calhoun, and other Senators, whom he so impressed that the bill then before Congress was stopped in the Senate, and this accounted for a year's delay in the negotiations. The leading statesmen soon saw that Andrews was right, and that both from a commercial point of view and for peaceable relations with Great Britain the fishery rights and the navigation of the lakes and canals were as important as inland trade advantages, as appeared clear before the treaty was finally framed. Andrews rendered not less important services on the British American side. Inland New England was apathetic, because ignorant of the advantages of its trade with the provinces, and both New Brunswick and Nova Scotia were on the whole hostile to the movement. This was the attitude of the United States politicians as a whole, and it may be said that political prejudices were the last and hardest difficulties to be overcome. The patience, intelligence and amiability of Andrews did more to overcome these obstacles than all other influences combined. He interviewed members of the governments in both countries, explained the situation to members of the legislatures, addressed commercial bodies, and then set to work to gather figures of the trade and shipping of the United States and the provinces at a time when the returns were very imperfect and the means of gathering them little understood by the officials. He was duly authorized by Congress, aided by the Canadian authorities, to prepare these reports, and the volumes in which they were printed has been recognized as the most valuable collection of commercial data published up to that time; yet this very work—which, after exhausting his own



means, he carried on by agreeing to pay others, thinking he would be recouped—was afterwards repudiated, and he was left to suffer the odium. It was true that when the treaty was put into force he was appointed United States Consul-General for the provinces, but, out of consideration to the commercial interests of both countries, declined to take the usual consular fee of \$2 on each entry—which his successor did not hesitate to accept, and the receipts from which would have enabled Andrews to pay off all his obligations, private and public—and of the millions of money which his work placed in the path of his countrymen not enough came back to him to keep him out of disgrace and out of the debts incurred in his unselfish service to both countries.\*

### **Dangers of the Fisheries Dispute.**

Time soon gave proof that Andrews foresaw in their true perspective the important problems of the

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\*A very interesting account of Andrews, throwing much light on the history of the reciprocity treaty, appeared in a pamphlet by Thos. C. Keefer, the well-known civil engineer. Mr. Keefer, testifying to the public spirit of this man, says:—"The government at Washington had not the control of Congress, or of the press, and it required just such an enthusiast as Andrews—with his power of approaching everybody, of appeasing everybody, and offending no one—to take the special oversight of a measure which he prided himself on having converted from a Canadian to an Imperial question. The fact that through all the changes of departmental heads and political parties, from 1843 to 1857, he remained fifteen years in the service of the government, proves him to have been no ordinary man. . . . Andrews had it in his power to make Canada pay every dollar of the debts he assumed on account of reciprocity, and the great mistake of his life was that he did not exercise it. In his appointment of consular agents, also, he selected British subjects, in most cases, being unwilling to place us in the category of foreign countries." After Andrews' own government neglected to pay his claims the Canadian Government rendered a tardy act of justice in contributing to relieve him of some of his debts; but Mr. Keefer, who had spent months of time and much of his own money in collecting information and tabulating figures for Andrews from Canadian sources, was never recouped for his outlay.

convention. Francis Hincks, on behalf of the government of United Canada, went to Washington in 1851 with the expectation of arranging a trade treaty with Canada only, but, discomfited and irritated by his failure, he wrote a letter to the United States Government, threatening to close the Canadian canals to United States traffic and to impose prohibitive duties on United States goods. The only notice taken of this was a letter from Webster to Sir Henry Bulwer, in which the British Government was told that "these petty annoyances from the colonies must cease" before he would resume negotiations. Hincks had denounced as preposterous the suggestion of Wm. Hamilton Merritt that reciprocity was the only antidote to annexation, but Merritt now advocated that Great Britain should sanction the imposition of the same duties against the United States as that country imposed against the British American provinces. The Whig Ministry turned a deaf ear to this proposal, but in the fall of 1852 Sir John Packington sent Admiral Seymour with a British fleet to the Atlantic fishing grounds. This action was treated as a threat by the United States Government, and even Webster, who was personally favorable to a treaty, declared that the American fishermen should be protected, "hook and line, bob and sinker," and a United States steam frigate was sent up to the fishing grounds under Commodore Perry, of War of 1812 fame. It turned out, however, that Seymour was instructed to deal gently with the fishermen, and, being a discreet and genial man, no trouble developed. The unpleasant possibilities of drifting on with these questions unsettled showed the United States Government that more was to be gained by meeting the people of British America in a reasonable spirit than by antagonizing or mere bluff. Webster died in 1853, and, unfortunately, Everett, who succeeded him as Secretary of State, raised various questions, apparently designed to prevent reciprocity altogether. But in March of that year Pierce became President and Marcy Secretary of State. Apart from the unceasing education which Andrews had carried on among commercial men all over both countries, and the louder call of the West for better access to the ocean, Mr. Pierce saw the possibilities of political union to which reciprocity in trade

might lead, and when Lord Elgin appeared in Washington the atmosphere was more favorable than the ordinary observer could have imagined. What the President and some of the northern statesmen had in mind in the treaty is indicated in the following from his letter of private instructions to Andrews, who was sent up as a commissioner to report on developments in the provinces. Andrews was not only to have in mind the increase of "commercial intercourse, mutually advantageous, but to stimulate and extend an increased regard and interest for this country and its institutions. . . . The feelings and sympathy of a people sometimes follow in the same channel with its trade and commerce; and, while it would be gratifying to see such a result in this instance," he was to remember the circumstances of the early settlement of the colonies.

### **The Cross Currents.**

In the northern States political opposition to reciprocity yielded partly to the pressure of commercial needs on both sides, and partly to the belief that the new commercial relationship would lead to political union. The South, believing with most Canadians that reciprocity alone would satisfy the provinces, favored the treaty to keep them out of the union, fearing their influence on the secession movement. The intuition of the South was correct, for, as soon as the treaty was negotiated, the annexation sentiment, which was never very deep, died out.

### **Trade and Tariff Conditions.**

What were the tariff relationships between the two countries at this time and what classes of trade were affected by the treaty?

It is to be noted, in the first place, that the trade of the Canadian provinces did not rise from the dead by virtue of the reciprocity treaty. The interchange of goods had been increasing steadily for many years before. The United States returns showed that in the twelve years from 1821-32 the Republic exported of domestic goods \$30,997,417 and of foreign-made goods \$403,909 to the British North American provinces, while

in the period from 1833-45 this export increased to \$54,082,537 of domestic goods and \$4,640,332 of foreign goods; while in the short period from 1846-53 the total was \$55,072,260 of domestic goods and \$22,020,252 foreign. In the period from 1821-32 the provinces of British North America exported to the United States \$7,684,559; in the period of 1833-45, \$23,356,275, and in the short term of 1846-53 it grew to \$36,753,592.

This brings the record down to the time of reciprocity. The tariff conditions under which the trade of the last-named period was carried on were these: that the duties imposed by the United States on all articles manufactured in Canada ranged from 20 per cent. to 40 per cent., while Canada imposed an average of  $12\frac{1}{2}$  per cent. on like goods from the United States. The Maritime Provinces' rates ranged from 5 per cent. to 10 per cent., the extreme being  $12\frac{1}{2}$  per cent. Horace Greeley, in a pamphlet published shortly after this, figured it out as follows: "On all such manufactures as he (the Canadian) could send to the United States he is shut out by a duty of 24 to 30 per cent., while the Canadians admit manufactures of the United States to a considerable extent free of duty, some at 5 per cent., and the great bulk of their manufactures at 15 per cent." Not only did this inequality of tariffs on manufactured goods exist, but no sooner had the British Corn Laws been repealed than the United States Government, in order to transfer the traffic of the West to United States seaports from the St. Lawrence route, granted a drawback of the duty on goods shipped from Canada to the States for re-export, and bonding privileges were also granted to imports into Canada via United States ports. It was in the same year (1846) that the tariff of the United States was increased on a number of articles which would adversely affect the trade of the provinces. These facts are to be remembered in connection with the complaints afterwards made as to the observance of the spirit of the treaty.

### **The Scope of the Treaty.**

By the reciprocity treaty of 1854 the following classes of goods were put on the free list of both countries: Grain, flour and breadstuffs of all kinds; animals

of all kinds; fresh, smoked or salted meats; cotton, wool, seeds and vegetables; dried and undried fruits; fish of all kinds; products of fish and of all other creatures living in the waters; poultry and eggs; hides, furs, skins or tails, undressed; stone or marble in crude or unwrought state; slate; butter, cheese, tallow; lard, horns, manures; ores of metals of all kinds; coal; pitch, tar, turpentine and ashes; timber and lumber of all kinds; firewood; plants, shrubs and trees; pelts, wool; fish oil; rice, broom corn and bark; gypsum, ground or unground; grindstones; dyestuffs; flax, hemp and tow, unmanufactured; unmanufactured tobacco; rags.

These articles, and these only, were to be free from both countries. The navigation of the St. John River, the River St. Lawrence and the canals of Canada was conceded, and mutual fishing rights were agreed to; but nothing whatever was said or implied limiting the freedom of either country in its tariff on articles other than those named in the free list. The treaty was to endure for ten years from the time it should take effect, but this was not till March, 1855, although by legislation of the Canadian provinces the United States got the benefit of the treaty in those territories in 1854. The treaty was terminated in March, 1866, by formal notice from the United States.

### **The Unstable Equilibrium.**

During the currency of this treaty the tariff of the United States and of the Maritime Provinces remained the same on manufactured goods, but in Upper and Lower Canada there were almost yearly alterations to the tariff, and these alterations were generally upward. As these changes took place there were protests from U.S. manufacturers of goods affected that Canada was violating the spirit of the reciprocity treaty. It would, no doubt, seem so to most of those engaged in the United States industries adversely touched by these increases of duties. There was nothing in the treaty nor in the negotiations on which it was based preventing either country from changing its tariff on goods not specified in the agreement; but it is almost certain that if the manufacturing interests of the United States had known



before hand that duties would be raised on what they had to sell in Canada they would not have favored the treaty. There is no evidence of any conscious bad faith on the part of the Canadian Government, and, after all the changes that had been made during the life of the treaty, the tariff of Canada on those manufactures mainly affected was still lower by about 25 per cent. than that of the United States, so that if reciprocity was to imply equality of conditions the advantage was still on the side of the United States, especially when there was no industry in Canada, except lumbering, that was organized as well as in the Republic. But as evidence that Canada was willing to meet the United States even under these unequal conditions a committee of the Canadian Legislature in 1858, reporting on the commerce of the country, recommended that "precisely the same principle as exists in the intercourse between the different States of the American Union may be established in these colonies," and also that "the principle of reciprocity with the United States may be extended to manufacturers, the registry of Canadian and United States-built vessels and to the shipping and coasting trade in the same manner as to the productions of the soil" which applied to the existing treaty. This recommendation was conveyed to the United States Government by J. W. Taylor, who, with Hon. Israel T. Hatch, was appointed to enquire into the operation of the treaty. Mr. Taylor in his report presented to Congress in 1860 endorsed this proposal, extending the treaty to manufactures, and establishing "an American Zollverein, each country adopting the policy of unlimited free trade with the other."

This was the policy afterwards known as Commercial Union, and favored in influential quarters in the United States, but rejected in Canada, where it had been first proposed in all sincerity.

### The First Reaction.

In the old Legislatures of Upper Canada commercial matters were in charge of a Cabinet Minister, known as the Inspector-General. The title of Finance Minister was first conferred on Alex. T. Galt (afterwards Sir A. T. Galt), and in dealing with the financial situa-



tion that confronted Canada in this period, Mr. Galt, in a statement published in England in 1860, explains in an incidental way the reasons that had compelled the Canadian Government—by which is meant the Government of the united provinces of Upper and Lower Canada—to increase the tariff. Mr. Galt mentioned that it was not till 1848 that the differential duties imposed by Great Britain on importations into Canada were repealed and the provinces permitted to import whence they pleased, this freedom being further promoted by the repeal of the navigation laws so far as they related to Canada. These changes, however, left Canada with an exhausted exchequer, a crippled commerce and a depreciated credit, to which was added the racial friction between the English and French of the two provinces. But Canada accepted the conditions and ceased to apply to the Imperial Government for favors that could only be obtained to the detriment of other countries. He then shows the success Canada had already attained in working out her own internal problems—educational, municipal, social and moral. The financial situation was that, on the repeal of the Corn Laws, the provinces had a debt of \$20,000,000, incurred for public works and railway and canal constructions, while the direct debt due to these works had by 1853 amounted to £9,677,672. With this load to carry and a small revenue from these works—owing to the fact that the drawbacks allowed by the United States and the steamship subsidies allowed by the British Government tended to divert the profits of the shipping business away from Canadian ports—there came a partial failure of crops in 1857, and an almost total failure in 1858. To meet the situation the government had to choose between borrowing money to meet the deficiency of revenue or imposing fresh taxation. Since the provinces had been thrown on their own resources, they were not disposed to ask favors; and at the same time, desiring to keep faith with individual British investors who had put faith in the Canadian Government, they chose the alternative method of increasing the tariff. Mr. Galt went on to say: "The writer has been reproached in this country as the author and promoter of a protective policy in Canada. To this he makes no reply other than that the commercial measures

which have produced the results he is about to state have always had his support while a member of the provincial parliament, and, coming into office as Finance Minister of the country in 1858, with an exhausted exchequer, in the face of a general failure in the harvest, and with a deficit of no less than £500,000 in the revenue for 1858, he rests the defence of his policy on the fact that the government has maintained the credit of the country unimpeached, and in less than eighteen months has so far succeeded in reducing the expenditure and increasing the revenue that the year will be found to be within the income." He declared that the policy of Canada had been brought as far as possible into harmony with that of the Mother Country, and their willingness to negotiate the reciprocity was cited as a proof. He stated that in the period from 1844-48 the duties imposed on importations averaged  $10\frac{1}{4}$  per cent., and the free goods were  $2\frac{1}{4}$  per cent. of the total importations. In the next period, from 1849-54, the duties averaged  $13\frac{1}{4}$  per cent. and the free goods 7 per cent. : while in the reciprocity period, from 1855-58, the duties averaged  $10\frac{1}{4}$  per cent., while free goods increased to 29 per cent. It was true that a large and influential party existed who advocated a protectionist policy, but this policy had not been adopted by the government, though the necessities of revenue had compelled action in partial unison with their views. It would undoubtedly be a subject of gratification to the government if they find that the duties absolutely required to meet their engagements should incidentally benefit and encourage the production in the country of many of those articles we now import. The government had no expectation that the moderate duties imposed would do more than establish works requiring comparatively unskilled labor in producing goods which could be equally well made in Canada. The obligations which had caused most of the country's indebtedness had been incurred in carrying out the former policy of the Imperial Government or in protecting those who had recently invested their means in our railways and municipal bonds. The government had changed the duties from specific to ad valorem in order that the burden might press more equally upon all classes. The former specific duties had resulted in

diverting the trade in teas, sugars, etc., from Canadian ports to the United States and destroyed the trade formerly done with the lower provinces and the West Indies. The average rate of duty under the present tariff of 1859 was only  $13\frac{1}{2}$  per cent., and the increase to the consumer would be balanced by the cheapened cost of transportation."

Such was the situation as explained by Mr. Galt, and what other method he could have adopted to make ends meet was never made clear.

### **Canada Justified.**

Professors Laughlin and Willis, in "Reciprocity," the most comprehensive American work the writer has seen on the history of the reciprocity treaties of the United States, justifies the Canadian Government even more completely than the Canadian Finance Minister himself in regard to the tariff relationship of the two countries. Discussing the report of Mr. Taylor to the United States Government on the tariff changes in Canada, the authors say: "The specific conclusion drawn from this comparison was that our (United States) average ad valorem duties under the Act of 1857 amounted to about 21 per cent., while under the Canadian Act of 1858 they were only 16 per cent. This situation gave a ridiculous appearance to the demand that Canada should restore the rate of duties which existed when the reciprocity treaty was ratified, upon penalty of abrogation. The demand bordered on arrogance, said Mr. Taylor, in view of the fact that the duties imposed under the tariff of 1857 were at least 25 per cent. higher than the corresponding rates of the Canadian tariff. . . . It seemed clear that the increase in duties was absolutely demanded by the revenue needs of the Canadian Government. The Act of 1858 was a revenue measure, and imposed heavy duties upon articles like tea and coffee, which were likely to be productive sources of income. It is hard, in view of these facts, to account fully for the loud clamor on the part of our manufacturers against the discrimination which they supposed themselves to be either subjected to, or about to suffer from, in Canadian markets. In part, this was due to that general prejudice against Canada which sought its arguments even where they did not exist."

While these accusations were made against the Canadian Government by commercial and manufacturing interests of the United States opposed to the competition of British American products, it is evident that political and economic influences were at work which would have ended the treaty, even if no change had been made in the tariff of the two Canadian provinces. There was only one condition under which the treaty would have been perpetuated, and this was complete union with the American States; but financial consideration alone would, at this stage, have made this unacceptable to the provinces, which would have been compelled to pay through the tariff a share of taxes arising from a costly war in which they had no concern.

### Minor Influences.

But before explaining the effect of the war on the reciprocity treaty it may be well to refer to some of the minor causes of abrogation. Partly from the tariff increases and partly from a growing appreciation of the products of Canadian industry the export of Canadian manufactured articles to the United States began to increase, that increase being from \$234,234 in 1858 to \$375,201 in 1859. One of the reports to the government at Washington states: "Many manufacturing establishments on our side [referring more particularly to the New York frontier] dismissed their workmen and were closed, and many were removed to Canada in order to avoid the payment of duty on their productions. It can create no surprise that much indignation was excited, without exception, in all those cities on the Canadian frontier which are daily and hourly witnesses of the one-sided nature of our dealings with Canada in the products of American labor. . . . Many of the citizens of Buffalo and Rochester have been compelled by the Canadian tariffs to leave their homes and remove their families to Canada." Resolutions and memorials of boards of trade in the towns of Upper Canada are then cited to show that the blame for this was not due to the people of the upper province, but to Lower Canada, which province sought to divert the trade of the West to Montreal and Quebec from New York and Boston.

## The Transportation Influence.

But these pretexts were the levers by which a more powerful influence against the treaty was brought to bear upon Washington. During the life of the treaty the American West was rapidly filling up with settlers, who were grain and stock-raisers—as now in the Canadian North-West—and the railway, canal and shipping systems of New York and other States were taking in tolls “all the traffic would bear.” There were times when the cost of getting grain to the seaboard exceeded the price which the Western farmer himself received at the first point of shipment. If these transportation interests could eliminate the competition of the Grand Trunk and the St. Lawrence canals they would hold the traffic of the Western States in the hollow of their hand. The Western farmers and merchants had been protesting against the excessive charges for transportation, and, at a great convention of chambers of commerce at Detroit in 1865, the owners of elevators and warehouses at Buffalo were denounced as extortionists, who exacted charges sufficient to pay profits equal in a single year to the whole value of the property. Hatch and Taylor, the two commissioners who reported in 1860 on the operation of the treaty, presented separate statements, the former against the continuance of the treaty, and the latter in its favor. Mr. Taylor, in his report, conceded the immense service to the United States rendered by the reciprocity treaty in removing the dangers latent in the fisheries convention of 1818. He quoted from a speech by Lord Elgin, in which that statesman said: “A British admiral and an American commodore were sailing on the coast with instructions founded on opposite conclusions, and a single indiscreet act on the part of one or the other would have brought on a conflict involving all the horrors of war.” He then takes up the commercial aspects of the treaty, and shows that the exports of the United States to the provinces have each year exceeded those of Canada to the United States, and as to the increases in the Canadian tariff he asks: “What right have we to demand that the provinces should encourage importations from the United States when our legislation of 1846 imposed duties as high as 30 per cent., and the Act of 1857 only reduced



their average to 24 per cent. on Canadian manufactures? Canada needs revenue; the public lands, as with us, have ceased to yield any considerable revenue, and it became a necessity to increase the tariff. In doing so how can we assert that Canada 'has acted in bad faith to the United States and violated the spirit of the reciprocity treaty,' to repeat the current complaints of the New York journals?" Mr. Taylor then compares the tariffs in detail, and shows how, even after the downward general revision of 1857, the United States tariff was still higher than that of Canada and contained fewer items on the free list. [See appendix.] He points out that, notwithstanding the outcry as to the Canadian tariff, the exports of manufactured goods from the United States to Canada increased from \$2,560,413 in 1858 to \$3,140,275 in 1859; while the exports of Canadian manufactured goods to the United States made a total of only \$234,234 in 1858 and \$375,201 in 1859. He concludes by the following statement: "The late attack on that policy (reciprocity) can be traced exclusively to one quarter, the shipping interest of New York and Philadelphia and the lines of transportation between those cities and the West. Pennsylvania as a State cannot share the sentiment, for coal and iron, with the manufactures of the latter, are prominent exports to Canada; while the other manufacturing interest, both of Pennsylvania and New York, gain largely from the consumption of their products in the provinces. But the importing and railroad interests of the two States are apprehensive of the competition of the Grand Trunk Railway and the navigation of the St. Lawrence; and the north-western, and even the Mississippi States, must be forced, by the abrogation of reciprocal trade and navigation, to pursue exclusively certain channels of communication. It is not possible that the Government of the United States can be induced to yield to such an appeal."

Mr. Taylor appears to have been only partially correct as to the opinion of the importing interest of New York, for the Chamber of Commerce of New York city, in 1865, adopted the report of its "select committee," in which the most forcible plea yet made was presented in favor of the continuance of the treaty, and that body



has remained to this day a constant advocate of reciprocity between the two countries.

### **Death of the Treaty.**

That Mr. Taylor had correctly estimated the aim of the transportation interests of New York to a greater hold on the traffic of the West appeared two years later in a set of resolutions of the New York State Legislature, declaring that Canada was violating the spirit of the treaty. Following up these resolutions, Representative Ward, of New York, made a report on behalf of the Committee on Commerce at Washington, in which he distinctly charged that it was the avowed purpose of Canadian officials to divert American trade from its "natural transportation routes within this country," and to carry it through Canadian territory by means of special rates. Mr. Ward's report was, however, peculiar in that, while it complained of existing conditions, it argued strongly for the general principle of reciprocity, and advocated the extension and revision of the treaty.\* Mr. Ward returned to the attack on the treaty in 1864, and moved that the President be authorized to give notice of its termination unless a new convention satisfactory to both governments should be concluded. After various motions and amendments, a simple motion, adopted in the Senate by a vote of 33 to 8, was passed in the year 1865 declaring that "It is no longer for the interest of the United States to continue the same (the treaty) in force," and that notice be given of its termination. Under this notice the treaty came to an end on St. Patrick's Day, 1866.

### **Attempts at Resurrection.**

A deputation consisting of A. T. Galt, Finance Minister, and W. P. Howland, Postmaster-General of Canada; A. J. Smith, Attorney-General of New Brunswick, and W. A. Henry, Attorney-General of Nova Scotia, came to Washington and remained for two weeks, making various proposals, but in vain. A bill was, indeed, presented to Congress in March, 1866, but

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\*Laughlin and Willis' "Reciprocity."

failed, and, even if it had gone through Congress, its terms, in the opinion of Laughlin and Willis, "were so unfair that Canada could not have dreamed of accepting them."

Many efforts on both sides of the line have been made since then to bring about a new treaty, but up to the present all have failed, and each decade has reduced the chances of a treaty of general application, such as the provinces were once willing to negotiate.

A noteworthy presentation of the case was made by Sir Edward Thornton, British Ambassador, and Hon. George Brown, representing Canada, in 1874. Taking up the assertion that the advantage of the old treaty was all on the side of Canada, Mr. Brown pointed out that the high prices of commodities in the United States caused by the war during the last years of the treaty seemed to give an advantage to Canada, but this advantage was an apparent one, and due to fictitious values. The war conditions were abnormal, and no deductions could be drawn from them. Had the treaty not been in existence at all, every ton of these goods would have gone from Canada to the United States, with only this difference, that they would have cost the consumers of the United States that much more by reason of the duties. Notwithstanding that the exports of Canada to the States were reduced in volume because of the war, the aggregate balance was still in favor of the United States, as in the thirteen years of the treaty the total imports of the provinces from the United States were \$346,180,264 and the imports of the United States from the provinces were \$325,726,520. The real difference was still greater in favor of the United States, owing to the inflation of the currency, and because, also, there being no duties on the products going to the United States, there was a more common temptation to over-valuation. This was evident from the fact that the Canadian returns showed a total import from the United States of \$363,188,088 and an export thereto of \$267,612,131. He gave figures to show that the traffic in bond through United States ports had developed to the advantage of the United States railways, canals and shipping interests. The free navigation of the Canadian canals had been given during the treaty, and had been

continued since to the great benefit of the United States, and the only return Canada had got from this valuable privilege was a promise to equal rights in the navigation of Lake Michigan, which promise had never been fulfilled. The repeal of the treaty had driven the Canadian provinces into confederation and had started the construction of the Intercolonial Railway, and its effect on Canadian foreign trade was notable. The exports of Canada and Newfoundland, formerly done largely through the United States, increased from \$139,000,000 in 1867 to \$235,000,000 in 1873. The lumber exports of Canada to the United States, which were threatened by the annulment of the treaty, had gone on increasing, and the effect on the wheat and flour trade was to send more of those products out by the St. Lawrence route and less by New York and Boston. E. H. Derby, reporting to the United States Government on the effects of the repeal, estimated that it cost the port of Boston alone trade to the amount of \$27,000,000 a year.

These representations were futile, as were the subsequent approaches of various Canadian governments since Confederation.

Since some of the best minds in the United States and Canada approved of freer trade relations, and, since it was admitted that the navigation of the St. Lawrence route and the settlement of the old-standing fisheries disputes were achievements transcending in national importance the commercial advantages of the treaty, we may ask why, in the face of its manifest trade benefits, the United States cut Canada off at the risk of fresh diplomatic troubles with Great Britain?

### **National Sentiment and Tariffs.**

There were two influences, one political, the other economic, either of which would have ended the treaty. The war caused the sacrifice of 500,000 lives and piled up a bill of \$5,000,000,000. The war debt had to be paid. With a Republican administration in power, and already committed to higher protection, and with a national spirit intensified by the triumph of the North, which declared the indivisibility of the Union, the nation was determined to be independent of the rest of the world as far as possible. These two influences decided

the nation to pay off its war debt by a higher tariff rather than any other form of taxation, and to do this a number of commodities admitted free from Canada had now to be taxed and the tariff raised all round. The necessities of the revenue involved an advance of duties affecting Canada, just as Canada's necessities a few years before compelled an increase of duties which furnished an excuse for the rescision of the treaty.

But the motives were mixed. The war brought an aftermath of resentment against that portion of both British and Canadian people who had sympathized with the South, and a higher tariff would not only pay off the war debt, but would hit the trade of both Canada and Great Britain. Moreover, there was a large section of the public men in the United States who, remembering the great anxiety of the provinces to secure the treaty, firmly believed that its abrogation would soon be followed by an application for unconditional entrance into the American Union. At a great convention of commercial organizations held at Detroit in 1865, to which Canadian boards of trade were invited, this belief was plainly expressed by more than one delegate. For example, Mr. Potter, then United States consul at Montreal, said: "Now, we are ready to give you in Canada the most perfect reciprocity. We will give you complete free trade, but we ask you to come and share with us the responsibilities of our own government. . . . It is not the policy of our government to continue this treaty, and I believe that in two years from the abrogation of the reciprocity treaty the people of Canada themselves will apply for admission to the United States."

The strength of this feeling was noted by Charles Francis Adams, then United States Minister to Great Britain, who wrote to Secretary Seward that, in his opinion, "All these measures (for abrogation) were the result rather of a strong political feeling than of any commercial considerations." "The same opinion," say Laughlin and Willis, "is entertained by others, and this testimony is of great importance because of the claim now frequently made that the Canadian treaty was very disadvantageous to us commercially."

## Force and Free Will.

This measure illustrated the futility of force as a means of cultivating the friendship of a nation, and the speech of the Hon. Joseph Howe, of Nova Scotia, at the Detroit Convention should have been enough to indicate the response that would be given to the freezing-out process. After pointing out the unfair advantages that were taken by the United States, and not contemplated when the treaty was signed, in regard to the fisheries, Mr. Howe showed that the blockading of one-half of the seaboard of the United States had cut off a large part of the benefits that should have accrued to the Maritime Provinces during the war, while the United States got the benefit of the trade of the whole provincial coast during the entire war period. Turning to the war, he contended that in the main the sympathies of the Canadians and British were with the North, and cited instances of many young men from his own province who had fought in the northern armies. A colleague of his own had held the rank of lieutenant in a Massachusetts regiment, with only one leg to take back home instead of two. He then proceeded:—

“In my own family and person I have suffered not a little by this unhappy rebellion. I have five boys, and one of them took it into his head to enter your army. He has now been nearly two years in the 23rd Ohio Regiment, and has fought in all the battles of that regiment during this period. He was in both the great battles under Sheridan, in which General Early’s forces were scattered and the Shenandoah valley cleared. All the personal benefit that I have derived from the reciprocity treaty, or hope to derive from its renewal, will never compensate me or that boy’s mother for the anxiety we have had with regard to him; but when he produced his certificate of his commanding officer, showing that he had conducted himself like a gentleman and had been faithful and brave, it was some consolation for all our anguish to know that he had performed his duty. (Enthusiastic applause. As the applause subsided a gentleman proposed “Three cheers for the boy,” which were given with great heartiness.) I have heard it said since I came to the convention that if the reci-

procity treaty is annulled the British provinces will be so cramped that they will be compelled to seek annexation to the United States. I know the feeling in the Lower Provinces, and I believe I am well enough acquainted with the Canadians to speak for them also when I make the assertion that no considerations of finance, no question of balance for or against them on the interchange of commodities can have any influence upon the loyalty of the inhabitants of the British provinces, or tend in the slightest degree to alienate the affections of the people from their country, their institutions, their government and their Queen. There is not a man who dare, on the abrogation of the treaty, if such be its fate, to take the hustings and appeal to any constituency on annexation principles throughout the entire Dominion. The man who avowed such a sentiment would be scouted from society by his best friends. What other treatment would a man deserve who had turned traitor to his government and violated for pecuniary advantages all obligations to the country that gave him birth? The very boy to whom I have alluded as having fought manfully for the stars and stripes would rather blow his own father's brains out than haul down the honored flag under which he was born. If any member of the convention harbors the idea that in refusing reciprocity to British America they would undermine the loyal feelings of the people of those colonies, he is laboring under a delusion. . . . I sincerely hope that all thought of forcing annexation upon the people of Canada will be abandoned."

Mr. Howe's speech was throughout received in good spirit, and it is worth noting that at this convention a resolution was unanimously passed in favor of a reciprocity treaty between the two countries, and of extending its scope so as to include British Columbia, the Selkirk Settlement and Vancouver Island."

### **Commercial Independence.**

We thus see how the Canadian provinces, first by the declaration of free trade in Great Britain, and second, by being cast off from commercial dependence on the United States, were forced, somewhat against their will, to stand upon their own feet and take their destined



way among the nations. We see also what an important part the tariffs had in separating the Canadian provinces, first from the Mother Country and the United States, and then driving them into their present federal union.

Having indicated some of the chief causes that led to the framing, and afterwards to the rescission, of the old reciprocity treaty, let us now enquire into reciprocity as a policy of commercial development.

### **Reflections.**

A reciprocity treaty is an illogical step to a logical conclusion. That conclusion is free trade between the parties to the agreement, and, so long as any tariff at all is maintained between them, the treaty must in course of time work injustice to one or the other, and come to an end. This is so because a treaty made for a term of years assumes a fixity of conditions in a world of change. As the lives of individuals, so the lives of nations are undergoing perpetual changes, and the economic and political conditions which exist in one decade will never be repeated in the next or any succeeding period. The chip thrown on the bosom of the river now will be miles down stream an hour hence, and will never return as long as the river flows. The economic relations between any two countries which would give perfect equality at the time a treaty is negotiated will, in accordance with this law, render any fixed treaty an instrument of unstable equilibrium. The recognition of this law of perpetual flux is what is bringing protectionist nations to see the need of permanent tariff commissions, by which the tariff may be adjusted to the constantly changing conditions of international trade. We have already seen how this law of change operated in the history of the reciprocity contract under discussion. No sooner was it signed than new necessities arose by which Canada was soon to be compelled either to uproot its whole economic system or to make modifications in its tariff which materially changed the terms upon which the manufacturers of the United States were doing business with this country; while on the other side of the line a political convulsion forced on economic alterations of a still more profound nature. These changes compelled the United States to terminate a

compact, even though many of their statesmen foresaw that its cancellation would start the provinces on a new path that would close the door forever to that organic union to which the treaty seemed likely to lead. The war put an end to the treaty more quickly, but the tariffs would have ended it sooner or later, war or no war. The only alternative that could have made the treaty permanent was to include all products in the zone of free interchanges, and this would have involved a common tariff against the rest of the world. Such a tariff would naturally be framed and readjusted at the will of the dominant partner. In short, while any tariff system is maintained between two countries, reciprocity in a wide sense is doomed to abortion from the day of its conception. When reciprocity is complete it is no longer reciprocity, but free trade between the parties to the agreement. Tariffs and complete reciprocity cannot co-exist permanently between two nations. Partial reciprocity may exist with tariffs, but both would have to be readjusted with changing conditions, and every readjustment involves discriminations against other nations not parties to the agreement.

A reciprocity treaty is between nations just what a contract is between two individuals who propose to fix terms and conditions with each other on articles, the prices and supply of which are not under their own control. If Farmer A. says to Merchant B.: "Let me sell you my crop of wheat for ten years to come at 90 cents a bushel," and B. accepts the proposition and signs an agreement, it is certain that, if next year and for the following nine years the market price of wheat averages only 75 cents, B. will be the loser; while, if wheat for the same term of years went up to an average of \$1 a bushel, A. would be dissatisfied with his own proposition. These two men, like two nations, attempted to fix relations between them without reckoning changes outside of their own relationship which they could not govern, and one or the other must be disappointed.

If tariffs were entirely eliminated between two countries and a common tariff adopted against the rest of the world, it would not follow that equality of advantage under that common tariff would exist in trade with the world unless legislative control were also equally divided

between the two, and unless the natural and industrial products were the same. This would not be the case in two countries like the United States and Canada, either as to legislation or industrial conditions, because foreign trade has also to be taken into the account and the special commodities of Canada's foreign trade are different from those of the United States.

If an approach to free trade is the object aimed at in a reciprocity treaty, is it not more logical to move in this direction by a reduction of the tariff, or its entire removal, for the whole world. In the case of Canada and the United States, for example, we find that for nearly a hundred years the tariff of the latter country has been higher than this country by a large percentage, and, therefore, if free trade is sought, the more complete the reciprocity, the more backward the step would be if Canada yoked herself into a system whose tariff is from two to five times as restrictive as her own. If free trade is good as between Canada and the United States, it is still better as between Canada and the whole world. This reduces commercial union with the United States to an absurdity, as a move towards free trade.

A reciprocity treaty, being an attempt to fix a landmark in a mid-ocean of change, is not only bound to tend to an unstable equilibrium, as between the two prime parties to the contract, but each new treaty negotiated with other nations must end in a greater or less breach of the terms and advantages already pledged by the previous bargains. It may not be a conscious breach of faith, but every fresh contract must necessarily qualify the preferences given to the others, since the total of a country's productive powers, and consequently the total of its trade, cannot be multiplied by ten because it makes ten treaties. Its total trade is limited to the productive capacity of its individual workers. Canada has had an example of this in the commercial treaty with France. That country, for certain equivalent privileges, bought what it thought would be a special market for its silks, wines, etc., but under the favored nation treaties the chief advantage has been reaped by Switzerland and Italy, whose silks and other goods proved to be more adapted to the Canadian demand. It does not lessen the force of the argument to explain that the favored nation

treaties, and not a specific reciprocity treaty with Italy and Switzerland, deprived France of the benefits she expected to get. The favored nation clause is only an automatically operating reciprocity effect.

A study of the economic history of nations shows a high rate of mortality among reciprocity treaties. They do not endure because they are founded on a fallacy. "In the United States," says the authority previously quoted, "reciprocity has been a failure, so far as tariff reform through that means is concerned. . . . Manifestly, there is no difference, so far as the consumer is concerned, between such a policy (reciprocity) and a reduction of the tariff by law. . . . Of the question whether it is right to barter away one man's protection in order to gain a trade opening for another man it is not necessary to speak. The usual argument states that we barter only that protection which is no longer needed. To such a statement it is natural to reply that if the protection is no longer needed it should be withdrawn in the interest of the consumers. . . . If, therefore, the ordinary man analyzes the situation to consider his own interest as a consumer he is likely to become a tariff revisionist rather than a reciprocity advocate." The authors just quoted consider the reciprocity treaties hitherto made by the United States to have been failures, and they conclude: "In short, if we should ever approach the stage of development in tariff matters where reciprocity could be had, we should not need it."

The old reciprocity treaty of 1854-66—negotiated at a time when means of transport were few and their cost very high—served a good purpose in its day. It tided Canada over its period of depression and helped prepare its transportation systems for confederation, and it gave the industries of the United States the only large opening available, while it also assisted the development of the American West. But since then the outlook of both nations has materially changed. The means of transport have enormously developed and become less costly than in 1854, and the time consumed in delivering goods to the ends of the earth is being continually shortened, so that every continent is coming within reach of the exporter. The complex demands of modern commerce call for direct connections with every nation rather than for a trunk line to one. To speak, therefore, of

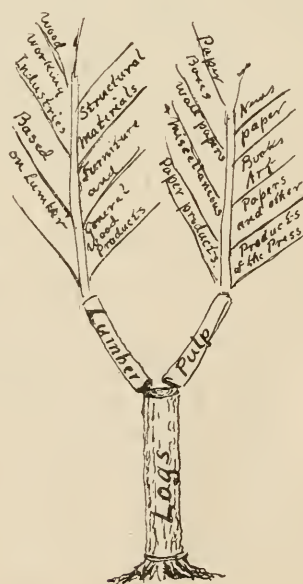
one country only as affording a "natural market" is to fail to understand Canada's coming relationship to the nations. The natural market for a bushel of Canadian wheat, a barrel of Canadian flour, or a ton of Canadian asbestos is anywhere in the world where it can be sold to best advantage, and Japan or Australia may be nearer, because better, than five miles across a boundary line. Geographical hindrances to trade count for less and less as these distances are reduced by rapid and cheap transit.

The United States is at last realizing that it cannot continue to absorb everything and give out nothing in return. In order to extend its foreign trade in manufactured goods it must produce cheaper, and to do so it must have cheaper raw materials. It happens that Canada has a number of these raw materials in more or less abundance, and a reciprocity treaty at the expense of other domestic interests of the United States is very attractive to such manufacturers. But if industrial development is all in all to a nation, then this problem has two sides. Canadian manufacturers are also looking for development in foreign trade, and, if the supply of these materials are essential to United States manufacturers in extending their foreign trade, they will also become essential to the Canadian export trade, and it soon becomes a problem whether the country should not look to the wide world for its industrial development rather than to sink into dependence upon the trade of a next-door neighbor with whom, in any case, a large trade has always been done, with and without treaties.

### **Unity of Industrial Processes Illustrated.**

Assuming that a reasonable development of factory occupation is necessary for the all-round life of a nation, whose citizens have every variety of taste and inclination, there are cases where the exportation of crude materials is not a thing to be sought after, least of all to be given as a right to a nation under the sanction of a treaty. Take, for example, the case of timber and wood products. Manufactures of wood, as carried on in this country, consist in the main of three elements: first, logs; second, pulp, lumber, etc., and third, paper and its derivative manufactures, and structural materials,

furniture and the great variety of articles made from wood after it passes from the form of lumber. These are three elements, but they are one and indivisible, regarded as a home industry touching the general wants of the people. Logs are not an article of general consumption as such, nor are pulp and lumber till they go through another process and become paper, furniture, etc. It is only then that they first touch the needs of the people at large. Now, it has come about, through the reckless destruction of the forests of the United States, that that country is now short of the raw materials by which its hitherto large foreign trade can be maintained in paper, furniture and the various manufactures derived from wood. If an unlimited supply of raw or semi-manufactured wood, such as lumber and pulp, can be obtained from an outside source, such as Canada, those foreign exports may be maintained and extended. Suppose, then, a trade arrangement is made, under the specific sanction of which such industries are created in the United States in dependence on raw materials from Canada, it must follow that the supply of such materials





cannot be suddenly cut off without far-reaching financial losses and industrial disturbance in the United States.

The accompanying conventional tree may illustrate in a simple way the relations of this trinity of industries. Inasmuch as the processes of converting forests into articles of use for mankind do not bring them into contact with the general consumers till the third stage is reached, and it is in this third stage that by far the greatest amount of capital and labor are employed, the logical purpose of any tariff intended to develop such an industry is to make it a trinity in unity. To sever it in the middle and have the most important processes completed in another country, with this connection maintained at the hazard of a tariff Act, may sow the seeds of future trouble; where these industries of the two countries are in rivalry in seeking foreign trade. In this particular case we have a forestry problem added to an industrial problem, and the forestry problem is of graver concern than the industrial. The preservation of Canada's water powers by the conservation of its forests is a matter of such consequence that the fate of the woodworking, pulp and paper and all other industries directly concerned in both countries could be completely ignored with less danger to the nation. Within recent years such a flood of light has been thrown on the development or downfall of nations that one states a proved truth and not a prophecy in asserting that the destruction of a country's forests is national suicide. This is realized in the United States, and the problem is giving its statesmen grave concern. But, remembering the parable of the five wise virgins and the five foolish ones, those responsible for the administration of this domain cannot with safety to posterity permit the forests to be swept from the remaining half of the continent because the work of devastation has been so nearly completed in the other half. In such a matter we should look far beyond the needs and dangers of the present generation.

### **Canada's Separate Destiny.**

No thoughtful Canadian can have reflected upon the history of his country, from the beginning of its colonization by white men till the formation of the Dominion, without recognizing a Controlling Hand that has willed

us to be a distinct people. The very history of the birth and dissolution of the reciprocity treaty here sketched reveals a plan which thwarted our own desires in that generation to make us the separate nation we are now. We now begin to see, dimly as it may be to some, that there are missions Canada can carry out and services to the world she can perform in the spheres of moral, civic and social reform, which can be better effected under our own political organization than any other, and there is ample room on this continent for two sets of experiments in the problems of government, worked out in the spirit of amity which befits nations who are great enough to rejoice in each other's success and happiness. To maintain this free play to our political institutions our fiscal system should be quite as unfettered, and any entanglements which restrict this freedom are more likely to tend towards friction than harmony in the political relations.

### **Nations Not Great by Trade Alone.**

We have to this point been discussing reciprocity chiefly as an economic question, but a nation cannot become great by trade alone. The history of the rise and fall of empires of the past furnishes too many sad evidences that the nation whose policy is swayed first and last by trade considerations is running its train on to a broken bridge. A certain natural bent of mind makes this a peculiarly dangerous snare to the Anglo-Saxon peoples, and so far have they headed on this moral down grade that it has become almost a heresy to declare it possible for a nation to lose its self-respect through gaining trade advantages. War is one of the retributive calamities begotten of greed of wealth and that lust of dominion into which greed develops when it has become a national vice. Canada owes, first and foremost, the debt of good-will not only to her neighbor and the Mother Country, but to the whole world. If we centre our minds merely on the acquisition of material wealth, forgetting the claims of other nations, who could benefit by a share of the light and blessing we have received, then we fail of the chief source of our future influence on the world. Wheat is not the source of the nation's well-being. If it were, then Babylon, which was

the world's first wheat country, would have been a power to-day.\* Like Babylon, the Anglo-Saxon nations devote all their energies to the accumulation of stores of material wealth, and then build Babylonian walls in the form of navies and engines of slaughter with which to protect this wealth. Will Canada place her sole dependence in these Babylonian walls, or will she seek some better way of winning the world's good-will? Taking the estimates for militia and naval service, the cost of the new warships purchased and to be built, the outlays in the Marine and Fisheries Department chargeable to the organization of the naval service, the items in the Public Works Department allotted for the erection and maintenance of armories, military storehouses, etc., we have a total to which the country is committed for war preparations in 1911 of a little over \$22,250,000. In 1880 the amount spent on militia and defense was \$690,078, in 1900 it was \$1,846,178, and since 1896 \$12,118,150 has been spent in this department chargeable to capital account, or, in other words, added to the public debt. If one-tenth of the amount to which Canada is committed in preparing for war were spent on missions of peace and on educational propaganda to the people of other nations, showing the waste and wickedness of war, might it not be the means of avoiding the unspeakable woes now threatening the peace of the world by these unparalleled preparations?

This may be a digression, but it will serve to suggest to those with a mind open to receive it that reciprocity of trade is the least urgent of all the relations which Canada may hold with other nations just now. "Above all nations is humanity," and the reciprocity of good-will is what humanity most needs at a time when millions of the poor of the great nations are literally sinking beneath the burden of taxation for needless war preparations.

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\*The first definite notice of wheat is in the writings of Besorus, the priest of Chaldea, who says: "The land of the Babylonians produces wheat as an indigenous plant."

# APPENDIX.

Comparison of the United States and Canadian tariffs in reciprocity period. From J. W. Taylor's report to United States Government.

Articles.	Rates of Duty.		
	American 1846.	Tariff. 1857.	Canadian Tariff. 1858.
Manufactures of wood .....	30	24	15
Manufactures of mahogany ...	40	40	15
Wax, bees' .....	20	15	15
Refined sugar .....	30	24	Specific; \$2.50 per 100 lbs.
Chocolate .....	20	15	15
Spirits from grain, whiskey....	100	30	Specific; 18c. gallon.
Spirits from grain, other....	100	30	Specific; 50 to 100c. per gal.
Molasses .....	30	24	Specific; 4c. per gallon.
Vinegar .....	30	24	Specific; 6c. per gallon.
Beer, ale, porter, cider .....	30	24	Specific; 8, 25, 12½c. (Vide.)
Linseed oil .....	20	15	15
Spirits of Turpentine .....	20	15	15
Household furniture .....	30	21	20
Carriages and cars .....	30	24	20
Hats .....	30	24	20
Saddlery .....	30	24	24
Candles .....	20	15	20
Soap .....	30	24	Specific; \$1.25 per 100 lbs.
Soap, perfumed and fancy ....	30	24	20
Snuff .....	40	30	Specific; 10c. per lb.
Tobacco, manufactured .....	40	30	Specific; 5, 7½, 10c. per lb. (according to value).
Leather .....	20	15	20
Leather, boots and shoes .....	30	24	24
Cables and cordage .....	25	19	Free
Gunpowder .....	20	15	15
Salt .....	20	15	Free
Lead .....	20	15	15
Iron—pig, bar, nails, etc. ....	30	24	5
Other manufactured .....	30	24	5
Agricultural implements ..	30	24	"spades," etc. 20
Copper—in pigs and bars .....	5	4	5
Manufactures of .....	30	24	20
Brass—in pigs and bars .....	5	Free	Free
Manufactures of .....	30	24	20
Brass and copper wire and cloth	30	24	5
Medical preparations .....	30	24	20
Medical drugs .....	20	15	15
Cottons (average duties) .....	25	19	15
Hemp, manufactures of .....	20	15	15
Wearing apparel .....	30	24	25
Earthenware .....	30	24	15
Combs .....	30	24	15
Buttons .....	25	19	16
Brushes and brooms .....	30	24	20
			(Brooms, corn, S.; 50c. p. doz.)
Umbrellas and parasols .....	30	24	15
Printing materials .....	20	15	15
Musical instruments .....	20	15	20
Books and maps .....	10	8	Free
Paints .....	20	15	15
Glassware .....	30	24	20
Tinware .....	30	24	5
Manufactures of pewter and lead .....	30	24	15
Manufactures of marble .....	30	24	20
Manufactures of India rubber..	30	24	20
Manufactures of gold and silver leaf .....	15	12	20
Artificial flowers .....	30	24	15
Lard oil .....	30	24	15
Manufactures of wool .....	30	24	15
hair .....	25	19	15
fur .....	30	24	20
goat's hair ...	25	19	20
silk .....	25	19	20
worsted ....	25	10	15
hemp .....	20	15	15
flax .....	20	15	15



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